

CITY OF DENVER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2009

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City of Denver

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Isaacson	Mayor	January 2010
Rod Diercks	Mayor Pro tem	January 2010
Dave Larson	Council Member	January 2010
Joel Wikner	Council Member	January 2010
Jim Moeller	Council Member	January 2012
Jeremie Peterson	Council Member	January 2012
Larry Farley	CityClerk/Administrator	Indefinite
Dale Goeke	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Denver's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

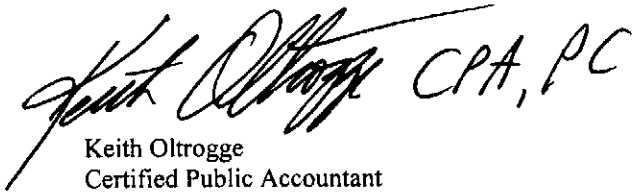
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than US generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated November 24, 2009 on my consideration of the City of Denver's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 9 and 22 through 23 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which is not presented herein) and expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

November 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Denver provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 44%, or approximately \$825,000 from fiscal 2008 to fiscal 2009. Property tax decreased approximately \$13,000 and bond proceeds decreased approximately \$700,000.
- Disbursements of the City's governmental activities decreased 41%, or approximately \$828,000, in fiscal 2009 from fiscal 2008. Public safety and debt service disbursements increased approximately \$13,000 and \$27,000 respectively. Public works disbursements decreased approximately \$618,000.
- The City's total cash basis net assets decreased 1%, or approximately \$33,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$58,000 and the assets of the business type activities increased by approximately \$24,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental and business type funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, electric utility, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric utility and utility deposit funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago, decreasing from approximately \$3.15 million to approximately \$3.12 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
		Year Ended June 30,	
		2009	2008
Receipts and transfers:			
Program receipts:			
Charges for service	\$	101,749	\$ 101,527
Operating grants, contributions and restricted interest		51,657	88,043
Capital grants, contributions and restricted interest		-	-
General receipts:			
Property tax		412,037	424,889
Local option sales tax		136,681	146,192
Grants and contributions not restricted to specific purposes		-	-
Unrestricted interest on investments		29,991	58,725
Bond proceeds		-	697,892
Other general receipts		307,446	347,767
Total receipts	\$	1,039,561	\$ 1,865,035
Disbursements:			
Public safety	\$	199,897	\$ 186,898
Public works		488,811	1,107,448
Health and social services		10,230	7,250
Culture and recreation		164,562	171,254
Community and economic development		5,695	171,139
General government		73,374	153,470
Debt service		252,832	225,633
Capital projects		-	-
Total disbursements	\$	1,195,401	\$ 2,023,092
Change in cash basis net assets before transfers	\$	-155,840	\$ -158,057
Transfers, net		98,248	202,085
Change in cash basis net assets	\$	-57,592	\$ 44,028
Cash basis net assets beginning of year		881,442	837,414
Cash basis net assets end of year	\$	823,850	\$ 881,442

The City's total receipts for governmental activities decreased 44%, or approximately \$825,000. The total cost of all programs and services decreased approximately \$828,000, or 41% with no new programs added this year. The significant decrease in receipts was primarily the result of proceeds received from the issuance of general obligation bonds.

The City's property tax receipts decreased approximately \$13,000 in 2009. Based on no change in the total assessed valuation, property tax receipts are budgeted to remain steady next year.

The cost of all governmental activities this year was approximately \$1.195 million compared to approximately \$2.023 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1.042 million because some of the cost was paid by those directly benefited from the programs (\$101,750) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$52,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$1.87 million to approximately \$1.04 million, principally due to bond proceeds received during fiscal 2008. The City paid for the remaining "public benefit" portion of governmental activities (\$1.09 million) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 1,028,334	\$ 969,656
Water	123,368	133,930
Sewer	296,343	333,245
Utility deposits	10,830	9,982
General receipts:		
Unrestricted interest on investments	68,499	94,006
Bond proceeds	-	-
Other general receipts	18,868	-
Total receipts	<u>\$ 1,546,242</u>	<u>\$ 1,540,819</u>
Disbursements:		
Electric	\$ 868,353	\$ 902,024
Water	229,307	76,649
Sewer	315,680	152,501
Utility deposits	10,368	8,820
Total disbursements	<u>\$ 1,423,708</u>	<u>\$ 1,139,994</u>
Change in cash basis net assets before transfers	\$ 122,534	\$ 400,825
Transfers, net	<u>-98,248</u>	<u>-124,977</u>
Change in cash basis net assets	\$ 24,286	\$ 275,848
Cash basis net assets beginning of year	<u>2,268,898</u>	<u>1,993,050</u>
Cash basis net assets end of year	<u>\$ 2,293,184</u>	<u>\$ 2,268,898</u>

Total business type activities receipts for the fiscal year were approximately \$1.546 million compared to approximately \$1.541 million last year. This slight increase was due primarily to the receipt of approximately \$6,000 in miscellaneous income. The cash balance increased approximately \$24,000 from the prior year because spending was conservative. Total disbursements for the fiscal year increased 20% to approximately \$1.424 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Denver completed the year, its governmental funds reported a combined fund balance of \$823,850, a decrease of more than \$57,000 below last year's total of \$881,442. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$91,709 from the prior year to \$772,414. Approximately \$61,000 of this increase was due to a transfer in from the electric utility fund.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$136,130 to a negative balance of -\$34,728 during the fiscal year. This decrease was attributable to street improvement projects.
- The Special Revenue, Urban Renewal Tax Increment Fund was established in the previous fiscal year to account for major urban renewal projects within the City's business district. At the end of the fiscal year, the cash balance was \$12,295, a decrease of \$17,744 from the previous year. The decrease was the result of receiving reduced property taxes. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased \$2,124 to \$34,223 during the fiscal year. The increase was due to an increase in property tax. Bond principal and interest payments increased \$27,199 in fiscal 2009.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Utility Fund cash balance increased \$126,272 to \$1,338,860, due primarily to an increase in the sale of electricity.
- The Sewer Fund cash balance increased \$15,219 to \$755,494, due primarily to receipt of approximately \$13,000 reimbursement for the 2007 disaster.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 15, 2009 and resulted in an increase in operating disbursements related to street improvements of approximately \$185,000. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$163,421 less than budgeted. This was primarily due to the City receiving less in sewer, electric and water charges for service than anticipated.

Total disbursements were \$156,028 less than the amended budget. However, the actual disbursements for the health and social services and debt service functions were \$2,730 and \$182,807 respectively, over the amended budget. This was primarily due to reclassifying debt payments.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$1,042,201 in bonds and other long-term debt outstanding, compared to \$1,177,794 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds	\$ 940,000	\$ 1,090,000
Capital leases	102,201	87,794
Total	\$ 1,042,201	\$ 1,177,794

Debt decreased as a result of principal payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$940,000 is significantly below its constitutional debt limit of approximately \$4.8 million.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The City of Denver's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than at the national level. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices.

These indicators were taken into account when adopting the budget for the fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$2.7 million, an increase of 5% over the final 2009 budget. Other financing sources are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to increase approximately \$150,000. Increased debt service costs, represent the largest increases. The City has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$10,000 by the close of 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Farley, City Clerk, 100 Washington Street, Denver IA 50622.

Basic Financial Statements

City of Denver

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 199,897	\$ -	\$ 24,958	\$ -
Public works	488,811	90,016	-	-
Health and social services	10,230	-	-	-
Culture and recreation	164,562	11,733	26,699	-
Community and economic development	5,695	-	-	-
General government	73,374	-	-	-
Debt service	252,832	-	-	-
Capital projects	-	-	-	-
Total governmental activities	<u>\$ 1,195,401</u>	<u>\$ 101,749</u>	<u>\$ 51,657</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 229,307	\$ 123,368	\$ -	\$ -
Sewer	315,680	296,343	-	-
Electric	868,353	1,028,334	-	-
Utility deposits	10,368	10,830	-	-
Total business type activities	<u>\$ 1,423,708</u>	<u>\$ 1,458,875</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 2,619,109</u></u>	<u><u>\$ 1,560,624</u></u>	<u><u>\$ 51,657</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ -174,939	\$ -	\$ -174,939
-398,795	-	-398,795
-10,230	-	-10,230
-126,130	-	-126,130
-5,695	-	-5,695
-73,374	-	-73,374
-252,832	-	-252,832
-	-	-
\$ -1,041,995	\$ -	\$ -1,041,995
\$ -	\$ -105,939	\$ -105,939
-	-19,337	-19,337
-	159,981	159,981
-	462	462
\$ -	\$ 35,167	\$ 35,167
\$ -1,041,995	\$ 35,167	\$ -1,006,828

City of Denver

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Program Receipts		
		Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
	Disbursements	Charges for Service	
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Sale of assets			
Transfers			
 Total general receipts and transfers			
 Change in cash basis net assets			
 Cash basis net assets beginning of year			
 Cash basis net assets end of year			
 Cash Basis Net Assets			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Unrestricted			
 Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ 339,888	\$ -	\$ 339,888
72,149	-	72,149
59,915	-	59,915
136,681	-	136,681
165,644	6,000	171,644
29,991	68,499	98,490
-	-	-
75,137	12,868	88,005
6,750	-	6,750
98,248	-98,248	-
\$ 984,403	\$ -10,881	\$ 973,522
\$ -57,592	\$ 24,286	\$ -33,306
881,442	2,268,898	3,150,340
\$ 823,850	\$ 2,293,184	\$ 3,117,034
\$ -34,728	\$ -	\$ -34,728
12,295	-	12,295
34,223	-	34,223
812,060	2,293,184	3,105,244
\$ 823,850	\$ 2,293,184	\$ 3,117,034

City of Denver

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2009

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 339,888	\$ -
Tax increment financing collections	-	-
Other city tax	-	-
Licenses and permits	3,245	-
Use of money and property	39,324	-
Intergovernmental	51,657	146,315
Charges for service	100,249	-
Special assessments	-	5,802
Miscellaneous	46,461	28,676
Total receipts	<u>\$ 580,824</u>	<u>\$ 180,793</u>
Disbursements:		
Operating:		
Public safety	\$ 199,897	\$ -
Public works	66,050	422,761
Health and social services	10,230	-
Culture and recreation	164,562	-
Community and economic development	5,695	-
General government	73,374	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>\$ 519,808</u>	<u>\$ 422,761</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 61,016</u>	<u>\$ -241,968</u>
Other financing sources (uses):		
Bond proceeds	\$ -	\$ -
Sale of capital assets	6,750	-
Operating transfers in	61,531	119,323
Operating transfers out	-37,588	-13,485
Total other financing sources (uses)	<u>\$ 30,693</u>	<u>\$ 105,838</u>
Net change in cash balances	\$ 91,709	\$ -136,130
Cash balances beginning of year	680,705	101,402
Cash balances end of year	<u>\$ 772,414</u>	<u>\$ -34,728</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ -	\$ -
Unreserved:		
General fund	772,414	-
Special revenue fund	-	-34,728
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 772,414</u>	<u>\$ -34,728</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
\$ 72,149	\$ -	\$ 412,037
-	59,915	59,915
-	136,681	136,681
-	-	3,245
-	949	40,273
-	-	197,972
-	1,500	101,749
-	-	5,802
-	-	75,137
<u>\$ 72,149</u>	<u>\$ 199,045</u>	<u>\$ 1,032,811</u>
\$ -	\$ -	\$ 199,897
-	-	488,811
-	-	10,230
-	-	164,562
-	-	5,695
-	-	73,374
252,832	-	252,832
-	-	-
<u>\$ 252,832</u>	<u>\$ -</u>	<u>\$ 1,195,401</u>
<u>\$ -180,683</u>	<u>\$ 199,045</u>	<u>\$ -162,590</u>
\$ -	\$ -	\$ -
-	-	6,750
182,807	-	363,661
-	-214,340	-265,413
<u>\$ 182,807</u>	<u>\$ -214,340</u>	<u>\$ 104,998</u>
\$ 2,124	\$ -15,295	\$ -57,592
32,099	67,236	881,442
<u>\$ 34,223</u>	<u>\$ 51,941</u>	<u>\$ 823,850</u>
\$ 34,223	\$ -	\$ 34,223
-	-	772,414
-	12,295	-22,433
-	-	-
-	39,646	39,646
<u>\$ 34,223</u>	<u>\$ 51,941</u>	<u>\$ 823,850</u>

City of Denver

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2009**

Total governmental funds cash balances (page 12)	\$ 823,850
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 823,850</u>
Net change in cash balances (page 11)	\$ -57,592
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
None	<u>-</u>
Change in cash balance of governmental activities (page 12)	<u>\$ -57,592</u>

City of Denver

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2009

	Enterprise Funds	
	Electric	Sewer
Operating receipts:		
Charges for service	\$ 1,028,334	\$ 296,343
Miscellaneous	-	-
Total operating receipts	<u>\$ 1,028,334</u>	<u>\$ 296,343</u>
Operating disbursements:		
Governmental activities:		
Public safety	\$ -	\$ -
Public works	-	-
Culture and recreation	2,787	-
General government	-	-
Business type activities	865,566	315,680
Total operating disbursements	<u>\$ 868,353</u>	<u>\$ 315,680</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 159,981</u>	<u>\$ -19,337</u>
Non-operating receipts (disbursements):		
Intergovernmental	\$ -	\$ -
Interest on investments	45,697	13,053
Special assessments	-	-
Miscellaneous	150	12,718
General obligation bond proceeds	-	-
Debt service	-	-
Capital projects	-	-
Net non-operating receipts (disbursements)	<u>\$ 45,847</u>	<u>\$ 25,771</u>
Excess of receipts over disbursements	<u>\$ 205,828</u>	<u>\$ 6,434</u>
Operating transfers in	-	36,262
Operating transfers out	<u>-79,556</u>	<u>-27,477</u>
Net change in cash balances	<u>\$ 126,272</u>	<u>\$ 15,219</u>
Cash balances beginning of year	<u>1,212,588</u>	<u>740,275</u>
Cash balances end of year	<u>\$ 1,338,860</u>	<u>\$ 755,494</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ -	\$ -
Unreserved	<u>1,338,860</u>	<u>755,494</u>
Total cash basis fund balance	<u>\$ 1,338,860</u>	<u>\$ 755,494</u>

See notes to financial statements.

Enterprise Funds			
Non-Major		Total	
\$	134,198	\$	1,458,875
	-		-
\$	134,198	\$	1,458,875
\$	-	\$	-
	-		-
	-		2,787
	-		-
	239,675		1,420,921
\$	239,675	\$	1,423,708
\$	-105,477	\$	35,167
\$	-	\$	-
	9,749		68,499
	6,000		6,000
	-		12,868
	-		-
	-		-
	-		-
\$	15,749	\$	87,367
\$	-89,728	\$	122,534
	-		36,262
	-27,477		-134,510
\$	-117,205	\$	24,286
	316,035		2,268,898
\$	198,830	\$	2,293,184
\$	-	\$	-
	198,830		2,293,184
\$	198,830	\$	2,293,184

City of Denver

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2009**

Total enterprise funds cash balances (page 14)	\$ 2,293,184
---	--------------

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

None	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">-</div>
------	---

Cash basis net assets of business type activities (page 11)	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">\$ 2,293,184</div>
--	--

Net change in cash balances (page 11)	\$ 24,286
--	-----------

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

None	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">-</div>
------	---

Change in cash balance of business type activities (page 14)	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">\$ 24,286</div>
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City of Denver
Notes to Financial Statements

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, electric and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, City Assessor's Conference Board, Bremer County Emergency Management Commission, Bremer County Landfill Commission and Bremer County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Denver maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the health and social services and debt service activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the City had the following investments in Certificates of Deposit:

Certificates of Deposit	Interest Rate	Maturity	Carrying Amount	Fair Value
Denver Savings Bank	2.18%	12-9-09	\$95,000	\$95,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	2.18%	12-19-09	25,000	25,000
Denver Savings Bank	2.18%	12-19-09	25,000	25,000
Denver Savings Bank	2.18%	12-15-09	25,000	25,000
Denver Savings Bank	2.18%	12-9-09	50,000	50,000
Denver Savings Bank	2.18%	12-9-09	100,000	100,000
Denver Savings Bank	2.18%	12-9-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	25,000	25,000
Denver Savings Bank	2.18%	12-10-09	25,000	25,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	1.49%	10-10-09	10,500	10,500
Denver Savings Bank	2.18%	12-10-09	25,000	25,000
Denver Savings Bank	2.18%	12-15-09	17,000	17,000
Denver Savings Bank	2.08%	11-16-09	10,372	10,372
Denver Savings Bank	2.18%	10-24-09	15,004	15,004
Denver Savings Bank	1.99%	10-24-09	50,018	50,018
Denver Savings Bank	3.36%	9-9-09	50,000	50,000

NOTE 2 – CASH AND POOLED INVESTMENTS (continued)

Investments in Certificates of Deposit at June 30, 2009 (continued):

Certificates of Deposit	Interest Rate	Maturity	Carrying Amount	Fair Value
Denver Savings Bank	2.18%	10-24-09	\$25,024	\$25,024
Denver Savings Bank	2.48%	9-8-09	25,000	25,000
Denver Savings Bank	2.48%	9-8-09	25,000	25,000
Denver Savings Bank	2.48%	9-8-09	25,000	25,000
Denver Savings Bank	2.18%	12-19-09	40,000	40,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	3.36%	9-9-09	25,000	25,000
Denver Savings Bank	2.18%	12-15-09	25,000	25,000
Denver Savings Bank	2.18%	12-9-09	50,000	50,000
Denver Savings Bank	3.26%	9-21-09	5,000	5,000
Denver Savings Bank	2.08%	11-23-09	7,199	7,199
Denver Savings Bank	1.49%	9-18-09	5,076	5,076
Denver Savings Bank	2.18%	12-17-09	101,926	101,926
Denver Savings Bank	2.18%	10-7-09	30,000	30,000
Denver Savings Bank	1.99%	7-23-09	60,044	60,044
Denver Savings Bank	2.18%	10-24-09	60,058	60,058
Denver Savings Bank	2.18%	10-31-09	30,040	30,040
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	3.36%	9-9-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	2.18%	12-15-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	50,000	50,000
Denver Savings Bank	2.48%	9-8-09	25,000	25,000
Denver Savings Bank	3.26%	9-21-09	20,000	20,000
Denver Savings Bank	2.18%	12-9-09	200,000	200,000
Denver Savings Bank	2.18%	12-10-09	100,000	100,000
Denver Savings Bank	2.18%	12-9-09	100,000	100,000
Denver Savings Bank	1.79%	8-15-09	3,978	3,978
Total			<u>\$2,286,239</u>	<u>\$2,286,239</u>

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and capital leases are as follows:

Year Ending June 30,	Public Works Building General Obligation Bonds		Fayette Street Improvement General Obligation Bond		General Obligation Economic Development Note (Schumacher)	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$50,000	\$3,200	\$50,000	\$17,800	\$50,000	\$8,580
2011	50,000	875	50,000	15,575	55,000	6,095
2012	-	-	50,000	13,350	60,000	3,240
2013	-	-	50,000	11,125	-	-
2014	-	-	50,000	8,900	-	-
Thereafter	-	-	150,000	13,350	-	-
Total	\$100,000	\$4,075	\$400,000	\$80,100	\$165,000	\$17,915

Year Ending June 30,	General Obligation Economic Development Note (Tierney/Moeller)		Fire Truck Capital Lease	
	Principal	Interest	Principal	Interest
2010	\$-	\$11,963	\$17,301	\$2,853
2011	27,500	11,963	18,204	1,950
2012	27,500	10,767	19,156	1,000
2013	27,500	9,570	-	-
2014	27,500	8,374	-	-
Thereafter	165,000	25,124	-	-
Total	\$275,000	\$77,761	\$54,661	\$5,803

Year Ending June 30,	Loader/Tractor Capital Lease		Total	
	Principal	Interest	Principal	Interest
2010	\$10,989	\$2,496	\$178,290	\$46,892
2011	11,566	1,919	212,270	38,377
2012	12,173	1,312	168,829	29,669
2013	12,812	673	90,312	21,368
2014	-	-	77,500	17,274
Thereafter	-	-	315,000	38,474
Total	\$4,7540	\$6,400	\$1,042,201	\$192,054

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$18,025 of general obligation bond principal was paid from the Enterprise, Sewer Fund, \$18,025 from the Enterprise, Water Fund and \$18,025 from the Enterprise, Electric Fund during the year ended June 30, 2009.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$28,380, equal to the required contribution for the year.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 17,567
Sick leave	12,593
Total	<u>\$ 30,160</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

NOTE 6 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise: Electric	<u>\$ 61,531</u>
Debt Service	General Fund	\$ 51,073
	Special Revenue: TIF Revenue	77,659
	Enterprise: Electric	18,025
	Sewer	18,025
	Water	18,025
		<u>\$ 182,807</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	\$ 100,419
	Enterprise: Water	9,452
	Sewer	9,452
		<u>\$ 119,323</u>
Enterprise: Sewer	Special Revenue: Local Option Sales Tax	<u>\$ 36,262</u>
Total		<u>\$ 399,923</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7 – RISK MANAGEMENT

The City of Denver is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – DEFICIT BALANCE

The Road Use Tax Fund had a deficit balance of \$34,728 at June 30, 2009. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state shared revenues.

REQUIRED SUPPLEMENTARY INFORMATION

City of Denver

**Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 412,037	\$ -	\$ -
Tax increment financing collections	59,915	-	-
Other city tax	136,681	-	-
Licenses and permits	3,245	-	-
Use of money and property	40,273	68,499	-
Intergovernmental	197,972	-	-
Charges for service	101,749	1,458,875	49,268
Special assessments	5,802	6,000	-
Miscellaneous	75,137	12,868	48,467
Total receipts	\$ 1,032,811	\$ 1,546,242	\$ 97,735
Disbursements:			
Public safety	\$ 199,897	\$ -	\$ -
Public works	488,811	-	-
Health and social services	10,230	-	-
Culture and recreation	164,562	2,787	-
Community and economic development	5,695	-	-
General government	73,374	-	-
Debt service	252,832	-	-
Capital projects	-	-	-
Business type activities	-	1,420,921	-
Total disbursements	\$ 1,195,401	\$ 1,423,708	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ -162,590	\$ 122,534	\$ 97,735
Other financing sources, net	104,998	-98,248	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -57,592	\$ 24,286	\$ 97,735
Balances beginning of year	881,442	2,268,898	-
Balances end of year	\$ 823,850	\$ 2,293,184	\$ 97,735

See accompanying independent auditor's report.

Total		Budgeted Original	Amounts Final	Final to Net Variance
\$	412,037	\$ 405,314	\$ 405,314	\$ 6,723
	59,915	61,600	61,600	-1,685
	136,681	144,094	144,094	-7,413
	3,245	3,570	3,570	-325
	108,772	27,600	78,300	30,472
	197,972	188,820	239,986	-42,014
	1,511,356	1,683,075	1,683,075	-171,719
	11,802	10,000	10,000	1,802
	39,538	9,500	18,800	20,738
\$	2,481,318	\$ 2,533,573	\$ 2,644,739	\$ -163,421
\$	199,897	\$ 223,638	\$ 223,638	\$ 23,741
	488,811	332,724	517,724	28,913
	10,230	7,500	7,500	-2,730
	167,349	141,955	171,955	4,606
	5,695	87,529	87,529	81,834
	73,374	97,313	97,313	23,939
	252,832	70,025	70,025	-182,807
	-	-	-	-
	1,420,921	1,399,453	1,599,453	178,532
\$	2,619,109	\$ 2,360,137	\$ 2,775,137	\$ 156,028
\$	-137,791	\$ 173,436	\$ -130,398	\$ -319,449
	6,750	-	-	6,750
\$	-131,041	\$ 173,436	\$ -130,398	\$ -312,699
	3,150,340	2,895,483	2,895,483	254,857
\$	3,019,299	\$ 3,068,919	\$ 2,765,085	\$ -57,842

City of Denver

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$415,000 and budget revenues by \$111,166. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the Health and Social Services and Debt Service functions.

Other Supplementary Information

City of Denver

**Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Non-major Governmental Funds**

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>	
	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:		
Tax increment financing	\$ 59,915	\$ -
Other city tax	-	136,681
Use of money and property	-	-
Charges for service	-	-
Total receipts	<u>\$ 59,915</u>	<u>\$ 136,681</u>
Disbursements:		
Operating:		
Public safety	\$ -	\$ -
Public works	-	-
Health and social services	-	-
Culture and recreation	-	-
General government	-	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 59,915	\$ 136,681
Other financing uses:		
Operating transfers out	<u>-77,659</u>	<u>-136,681</u>
Net change in cash balances	\$ -17,744	\$ -
Cash balances beginning of year	<u>30,039</u>	<u>-</u>
Cash balances end of year	<u>\$ 12,295</u>	<u>\$ -</u>
Cash Basis Fund Balances		
Unreserved:		
Special revenue funds	\$ 12,295	\$ -
Capital projects fund	-	-
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 12,295</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Permanent			
Cemetery Perpetual Care	Veteran's Tribute	Total	
\$ -	\$ -	\$	59,915
-	-		136,681
577	372		949
1,500	-		1,500
\$ 2,077	\$ 372	\$	199,045
\$ -	\$ -	\$	-
-	-		-
-	-		-
-	-		-
-	-		-
-	-		-
\$ -	\$ -	\$	-
\$ 2,077	\$ 372	\$	199,045
-	-		-214,340
\$ 2,077	\$ 372	\$	-15,295
27,197	10,000		67,236
\$ 29,274	\$ 10,372	\$	51,941
\$ -	\$ -	\$	12,295
-	-		-
29,274	10,372		39,646
\$ 29,274	\$ 10,372	\$	51,941

City of Denver

**Schedule of Cash Receipts, Disbursements
and Changes in Cash Balance
Non-Major Proprietary Funds**

As of and for the year ended June 30, 2009

	Enterprise		
	Water	Utility Deposit	Total
Receipts:			
Charges for service	\$ 123,368	\$ 10,830	\$ 134,198
Miscellaneous	-	-	-
Total operating receipts	\$ 123,368	\$ 10,830	\$ 134,198
Disbursements:			
Operating:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	229,307	10,368	239,675
Total operating disbursements	\$ 229,307	\$ 10,368	\$ 239,975
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -105,939	\$ 462	\$ -105,477
Non-operating (disbursements):			
Intergovernmental	\$ -	\$ -	\$ -
Interest on investments	9,564	185	9,749
Grants and contributions not restricted to specific purpose	6,000	-	6,000
Miscellaneous	-	-	-
General obligation bond proceeds	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Net non-operating receipts (disbursements)	\$ 15,564	\$ 185	\$ 15,749
Excess of receipts over disbursements	\$ -90,375	\$ 647	\$ -89,728
Operating transfers in	-	-	-
Operating transfers out	-27,477	-	-27,477
Net change in cash balances	\$ -117,852	\$ 647	\$ -117,205
Cash balances beginning of year	309,410	6,625	316,035
Cash balances end of year	\$ 191,558	\$ 7,272	\$ 198,830
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	191,558	7,272	198,830
Total cash basis fund balances	\$ 191,558	\$ 7,272	\$ 198,830

See accompanying independent auditor's report.

City of Denver
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Public Works Building	September 21, 2004	3.20-3.50%	\$300,000
Fayette Street Improvements	August 1, 2007	4.45%	500,000
Economic Development (Schumacher)	December 1, 1999	5.15-5.40%	465,000
Economic Development (Tierney/Moeller)	February 1, 2008	4.35%	275,000
Total			<u>\$1,540,000</u>
Leases:			
Fire Truck	July 1, 2007	5.25%	\$102,558
Loader/Tractor	December 8, 2008	5.25%	61,025
Fire Truck	March 22, 1999	4.45%	91,581
Total			<u>\$255,164</u>

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$150,000	\$-	\$50,000	\$100,000	\$4,075	\$-
450,000	-	50,000	400,000	20,025	-
215,000	-	50,000	165,000	11,730	-
275,000	-	-	275,000	15,929	-
<u>\$1,090,000</u>	<u>\$-</u>	<u>\$150,000</u>	<u>\$940,000</u>	<u>\$51,759</u>	<u>\$-</u>
\$71,104	\$-	\$16,443	\$54,661	\$3,712	\$-
-	61,025	13,485	47,540	-	-
16,690	-	16,690	-	743	-
<u>\$87,794</u>	<u>\$61,025</u>	<u>\$46,618</u>	<u>\$102,201</u>	<u>\$4,455</u>	<u>\$-</u>

City of Denver

Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds					
	Public Works Building		Fayette Street Improvements		Economic Development Note (Schumacher)	
	Issued September 21, 2004		Issued August 1, 2007		Issued March 22, 1999	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2010	3.20%	\$50,000	4.45%	\$50,000	5.20%	\$50,000
2011	3.50%	50,000		50,000	5.30%	55,000
2012		-		50,000	5.40%	60,000
2013		-		50,000		-
2014		-		50,000		-
Thereafter		-		150,000		-
Total		<u>\$100,000</u>		<u>\$400,000</u>		<u>\$165,000</u>

Year Ending June 30,	Capital Lease				
	Loader/Tractor		Fire Truck		Total
	Issued December 8, 2008		Issued July 1, 2007		
	Interest Rate	Amount	Interest Rate	Amount	
2010	5.25%	\$10,989	5.25%	\$17,301	\$28,290
2011		11,566		18,204	29,770
2012		12,173		19,156	31,329
2013		12,812		-	12,812
2014		-		-	-
Thereafter		-		-	-
Total		<u>\$47,540</u>		<u>\$54,661</u>	<u>\$102,201</u>

See accompanying independent auditor's report.

Economic Development Note (Tierney/Moeller)		Total
Issued February 1, 2008		
Interest Rate	Amount	
4.35%	\$-	\$150,000
	27,500	182,500
	27,500	137,500
	27,500	77,500
	27,500	77,500
	165,000	315,000
	<u>\$275,000</u>	<u>\$940,000</u>

City of Denver

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Two Years

	2009	2008
Receipts:		
Property tax	\$ 412,037	\$ 424,889
Tax increment financing	59,915	61,172
Other city tax	136,681	146,192
Licenses and permits	3,245	5,413
Use of money and property	40,273	107,351
Intergovernmental	197,972	227,968
Charges for service	101,749	101,527
Special assessments	5,802	53,615
Miscellaneous	75,137	39,016
Other financing sources	6,750	697,892
Total	<u>\$ 1,039,561</u>	<u>\$ 1,865,035</u>
Disbursements:		
Operating:		
Public safety	\$ 199,897	\$ 186,898
Public works	488,811	1,107,448
Health and social services	10,230	7,250
Culture and recreation	164,562	171,254
Community and economic development	5,695	171,139
General government	73,374	153,470
Debt service	252,832	225,633
Capital projects	-	-
Total	<u>\$ 1,195,401</u>	<u>\$ 2,023,092</u>

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated November 24, 2009. My report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Denver's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinions on the effectiveness of the City of Denver's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Denver's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I considered to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Denver's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Denver's financial statements that is more than inconsequential will not be prevented or detected by the City of Denver's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Denver's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denver's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Denver's responses to finding identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Denver's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Denver and other parties to whom the City of Denver may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of City of Denver during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC".

Keith Oltrogge
Certified Public Accountant

November 24, 2009

City of Denver
Schedule of Findings
Year ended June 30, 2009

Part I – Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We continue to review procedures and make changes to improve internal control.

Conclusion – Response accepted.

I-B-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by US generally accepted accounting principles. The City does not have internal resources to prepare the full-disclosure financial statements required by US generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most small governments and non-profit entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that the City continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Denver
Schedule of Findings
Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the health and human services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-09 Questionable Disbursements – There were no disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions – There were no business transactions between the City and City officials or employees.

II-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish receipts as required.

Recommendation – The City should comply with Chapter 372 of the Code of Iowa and should publish minutes and receipts as required.

Response – We will publish minutes and receipts as required.

Conclusion – Response accepted.

II-G-09 Official Depositories – The City did not specify the maximum amount that may be kept in each depository. Chapter 12C of the Code of Iowa requires a resolution naming depositories and the maximum amount that may be kept there.

Recommendation – The City should approve a resolution naming depositories that may be used and the maximum amount that may be kept in each.

Response – We will review and revise our policies to ensure proper resolutions are approved.

Conclusion – Response accepted.

City of Denver
Schedule of Findings
Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting (continued):

II-H-09 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Enterprise, Sewer, Water and Electric Funds. Chapter 384.4 of the Code of Iowa states, in part “Money pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise Funds to the Debt Service Fund for future funding contributions. Payments of the bonds should be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

II-I-09 Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance at June 30, 2009 of \$34,728.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to construction costs incurred prior to receipt of a state shared funding. The deficit was subsequently eliminated.

Conclusion – Response accepted.

II-J-09 Deposits and Investments – No instances of non-compliance with the deposits and investments provisions of Chapter 12B and 12C of the code of Iowa were noted.

II-K-09 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion – Response accepted.